

YOUR YEAR-END FINANCIAL CHECKLIST

Seven aspects of your financial life to review as the year draws to a close.

BY DOMINIC LUCENTE

The end of a year makes us think about last-minute things we need to address and good habits we want to start keeping.

To that end, here are seven aspects of your financial life to think about as this year leads into the next...

YOUR INVESTMENTS

Review your approach to investing and make sure it suits your objectives. Look over your portfolio positions and revisit your asset allocation.

YOUR RETIREMENT PLANNING STRATEGY

Does it seem as practical as it did a few years ago? Are you able to max out contributions to IRAs and workplace retirement plans like 401(k)s? Is it time to make catch-up contributions? Finally, consider Roth IRA conversion scenarios, and whether the potential tax-free retirement distributions tomorrow seem worth the taxes you may incur today. If you are at the age when a Required Minimum Distribution (RMD) is required from your traditional IRA(s), be sure to take your RMD by December 31. If you don't, the IRS will assess a penalty of 50% of the RMD amount on top of the taxes you will already pay on that income. (While you can postpone your very first IRA RMD until April 1, 2017, that forces you into taking two RMDs next year, both taxable events.)¹

YOUR TAX SITUATION

How many potential credits and/or deductions can you and your accountant find before the year ends? Have your CPA craft a year-end projection including Alternative Minimum Tax (AMT). In years past, some business owners and executives didn't really look into deductions and credits because they just assumed they would be hit by the AMT.

The recent rise in the top marginal tax bracket (to 39.6%) made fewer high-earning executives and business owners subject to the AMT – their ordinary income tax liabilities grew. That calls for a closer look at accelerated depreciation, R&D credits, the Work Opportunity Tax Credit, incentive stock options, and certain types of tax-advantaged investments.² Review any sales of appreciated property and both realized and unrealized losses and gains.

Take a look back at last year's loss carry-forwards. If you've sold securities, gather up cost-basis information. Look for any transactions that could potentially enhance your circumstances.

YOUR CHARITABLE GIFTING GOALS

Plan charitable contributions or contributions to education accounts, and make any desired cash gifts to family members. The annual federal gift tax exclusion is \$14,000 per individual for 2016, meaning you can gift as much as \$14,000 to as many individuals as you like this year tax-free. A married couple can gift up to \$28,000 tax-free to as many individuals as they like. The gifts do count against the lifetime estate tax exemption amount, which is \$5.45 million per individual and \$10.9 million per married couple for 2016.³

You could also gift appreciated securities to a charity. If you have owned them for more than a year, you can deduct 100% of their fair market value and legally avoid capital gains tax you would normally incur from selling them.⁴ Besides outright gifts, you can plan other financial moves on behalf of your family – you can create and fund trusts, for example. The end of the year is a good time to review any trusts you have in place.

YOUR LIFE INSURANCE COVERAGE

Are your policies and beneficiaries up-to-date? Review premium costs, beneficiaries, and any and all life events that may have altered your coverage needs.

SPEAKING OF LIFE EVENTS

Did you happen to get married or divorced in 2016? Did you move or change jobs? Buy a home or business? Did you lose a family member, or see a severe illness or ailment affect a loved one? Did you reach the point at which Mom or Dad needed assisted living? Was there a new addition to your family this year? Did you receive an inheritance or a gift? All of these circumstances can have a financial impact on your life, the way you invest and plan for retirement, and how you wind down your career or business. They are worth discussing with the financial or tax professional you know and trust.

LASTLY, DID YOU REACH ANY OF THESE FINANCIALLY IMPORTANT AGES IN 2016?

If so, act accordingly.

Did you turn 70½ this year? If so, you must now take Required Minimum Distributions (RMDs) from your IRA(s).

Did you turn 65 this year? If so, you are likely now eligible to

YOU HAVE QUESTIONS...



WE HAVE ANSWERS

ARE YOU OVERWHELMED BY THOUGHTS ABOUT YOUR RETIREMENT OR AFFORDING COLLEGE FOR YOUR KIDS? DO YOU WANT A SECOND OPINION ON YOUR CURRENT PORTFOLIO?

WE CAN HELP YOU TO BETTER UNDERSTAND AND PLAN FOR YOUR FINANCIAL FUTURE.

CALL ME TODAY FOR A FREE FINANCIAL CONCERNS CHECKLIST!



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apply for Medicare.

Did you turn 62 this year? If so, you can choose to apply for Social Security benefits.

Did you turn 59½ this year? If so, you may take IRA distributions without a 10% penalty.

Did you turn 55 this year? If so, you may be allowed to take distributions from your 401(k) account without penalty, provided you no longer work for that employer.

Did you turn 50 this year? If so, you can make "catch-up" contributions to IRAs (and certain qualified retirement plans).^{1,5}

The end of the year is a key time to review your financial "health" & well-being. If you feel you need to address any of the items above, please feel free to give me a call. **Dominic may be reached at 603.645.8131 or dominic.lucente@LPL.com. Dlucente.com.**

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Citations.

- 1 - fool.com/retirement/general/2016/04/11/required-minimum-distributions-common-questions-ab.aspx [4/11/16]
- 2 - nerdwallet.com/blog/taxes/income-taxes/federal-income-tax-brackets/ [9/8/16]
- 3 - turbotax.intuit.com/tax-tools/tax-tips/Tax-Planning-and-Checklists/The-Gift-Tax-Made-Simple/INF12127.html [11/7/16]
- 4 - marketwatch.com/story/what-to-know-when-deducting-charitable-donations-2016-02-23 [2/23/16]
- 5 - merrilledge.com/Publish/Content/application/pdf/GWMOL/retirement-deadlines-checklist.pdf [11/7/16]